

CONSUMER ADVISORY

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By Attorney General Tom Miller

Credit Card Offers: They're Not All the Same

Are you thinking about adding a credit card to your pocketbook? Many credit cards may look the same, but their interest rates, fees and terms may be very different.

Carrying a credit card account also carries responsibilities that affect your credit rating and your personal finances—good or bad—for years. Don't sign up for a credit card just for the so-called "freebies." You can stop credit card offers for five years or even permanently by registering at www.OptOutPrescreen.com or by calling 1-888-567-8688.

Take time to shop and compare interest rates, fees and terms *before* you decide to apply. Contact your financial institution or your current credit card company to see if they will match other offers.

If you are "shopping" for a credit card, keep these things in mind:

- **Interest rates:** Cards often have multiple rates, stated as the APR, or annual percentage rate of interest. Very low advertised rates are usually only "teaser" or "introductory" rates. Introductory periods must last at least six months. When the teaser period ends, the APR often goes to a higher, "go-to" rate.
- **Late fees:** Credit card companies cannot charge you a fee of more than \$25, unless one of your last six payments was late, in which case your fee may be up to \$35; or credit card companies can show that the costs they incur as a result of late payments justify a higher fee. Credit card companies cannot charge a late fee that is greater than the minimum payment. So, check late fees and other penalty rates and terms.
- **Hidden fees:** Most cards have cash-advance fees with no "grace period" -- interest charges start immediately. Late fees and over-the-limit fees can go as high as \$25 on some out-of-state cards. Consider Iowa-issued cards because they have greater protections and cheaper fees. Avoid cards with an annual fee and expensive "add-on" items such as "free trial" credit card protection plans, insurance, and buyers' clubs.
- **Subprime credit card fees:** Some credit card companies will charge you high up-front fees just to obtain their credit card. Subprime credit cards often attract people who have a poor credit history or no credit, and may apply high up-front fees toward a customer's credit balance. If the account has a low credit limit, the borrower may very quickly be over their limit.
- **Rewards:** For some, rewards can lure potential cardholders. But their true value can vary greatly—from a penny per point to half a cent, or one airline frequent flier mile per dollar spent—and rewards don't always provide the best value. So figure out how much your points are truly worth, how easy they are to redeem, and how it compares to the value of other options before you start trying to rack up rewards through credit card charges.

Avoid expensive credit card debt by managing your credit cards carefully. Pay on time and pay the full balance each month if you possibly can. Credit card companies will not impose a finance charge (except on cash advances) if you pay in full before the due date on your bill. Avoid "maxing-out" on cards or paying only the minimum amount due. For more tips on credit cards, go to: <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre32.shtm>.

To file a complaint or get more information, contact the Iowa Attorney General's Consumer Protection Division, Hoover Bldg., Des Moines, IA 50319. Call 515-281-5926, or toll-free to 888-777-4590. The website is: www.iowaAttorneyGeneral.gov.